



# REGULAR COMMISSION MEETING

PORT OF KENNEWICK

JULY 10, 2012 MINUTES

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## CALL TO ORDER

Commission President Skip Novakovich called the Commission meeting to order at 2:00 p.m. in the Port of Kennewick Commission Chambers located at 350 Clover Island Drive, Suite 200, Kennewick, Washington 99336.

### The following were present:

**Board Members:** Skip Novakovich, President  
Don Barnes, Vice-President  
Gene Wagner, Secretary

**Staff Members:** Tim Arntzen, Executive Director  
Tana Bader Inglima, Director of Governmental Relations & Marketing  
Tammy Fine, Director of Finance/Auditor  
Larry Peterson, Director of Planning  
Teresa Hancock, Real Estate & Special Projects Coordinator  
Bridgette Scott, Executive Assistant  
Lucinda Luke, Port Counsel

## PLEDGE OF ALLEGIANCE

Mr. Peterson led the Pledge of Allegiance.

## PUBLIC COMMENTS

Ed Frost, 609 W. Albany Avenue, Kennewick. Mr. Frost voiced his concern about only having two opportunities for public comments. Mr. Frost suggests real, factual information be obtained for the Vista Field Alternatives study. He does not believe either side had hard data regarding the use of the airport during the last study. Mr. Frost heard comments that the airport is used for people flying in to attend concerts, go shopping, etcetera. He suggested the Tri-Cities Visitor and Convention Bureau may have information relating to the corresponding statistics. Mr. Frost stated the Port paid for an Economic Impact Analysis of existing operations at the Airport in 2010. He hopes whatever the new study addresses, that the predications for private sector investment in the facility and the number of jobs to be produced. Hopefully the 2010 document grossly underestimated the figures. He is hopeful the new study will address whatever assumptions were made in the past. Mr. Frost recommended whatever the outcome of the study; he recommends the Port allow the taxpayers to make the final decision, removing the political influences from the issue.

No further comments were made.



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## CONSENT AGENDA

Mr. Novakovich commented Consent Agenda items are a number of items taken collectively in one motion to be approved or disapproved.

The consent agenda consisted of the following:

**A. *Approval of Direct Deposit and Warrants Dated June 29, 2012***

Direct Deposit totaling \$28,641.27 and Expense Fund Voucher Numbers 33287 through 33291 totaling \$11,560.52; for a grand total of \$40,201.79.

**B. *Approval of Warrant Registers Dated July 11, 2012***

Expense Fund Voucher Numbers 33292 through 33329 totaling \$64,042.71.

Construction Fund Voucher Numbers 3303 through 3304 totaling \$2,212.50.

**C. *Approval of Commission Meeting Minutes Dated May 22, 2012***

**MOTION:** *Commissioner Barnes moved approval of the consent agenda; Commissioner Wagner seconded. All in favor 3:0. With no further discussion motion carried unanimously.*

## PRESENTATION

***Port Proposed Cost Allocation Methodology, Angela Richardson of CliftonLarsonAllen LLP***

Ms. Fine stated several years ago the Commission started a new directive to push towards closing the operating gap. This sparked the need for a cost allocation plan that could provide Port Commission and internal management on how the Port's properties and projects are performing financially.

In an effort to find a consistent, fair and useful plan, the Port issued a Request for Proposals in July 2011 and awarded a contract to CliftonLarsonAllen (CLA) – one of the United States top CPA firms. CLA has extensive knowledge and experience with cost allocations and plans.

Ms. Fine introduced Angela Richardson and Jessica Redifer from CLA and stated they will present the Port's cost allocation plan, along with their review of the Port's plan. Ms. Fine requested the Commission provide direction whether or not to proceed with running financial numbers based on the proposed cost allocation plan following the presentation.

CLA analyzed the Port's indirect cost allocation to assist in determining whether the current cost allocation plan is appropriate, or needs modification. Additionally, CLA reviewed the Port's existing methodology to determine if it is consistently applied.

Cost Allocation is a method used to identify and distribute indirect costs across all cost objects fairly, consistently and reasonably, in order to provide a more accurate financial picture of an organization. The goals of cost allocation is to improve financial information to help make informed business decisions; to ensure the cost allocation method is equitable and can be replicated; and to tie the benefits of the cost to the property, project, operating unit, etcetera.

Acceptable types of cost allocation methods: revenue percentages, direct cost percentages, payroll hours, square footage, or a combination of several acceptable methods.





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CLA thoroughly reviewed and recalculated the Port's current cost allocation plan and found it is consistent, with no differences or discrepancies. CLA confirmed and substantiated the current cost allocation methodology is acceptable and implementation is accurately applied; cost allocations are being consistently applied across all operations/properties and in line with established cost allocation policies and methodologies. In addition, they agreed the total expenses on the Return On Investment (ROI) to the actual general ledger Budget to Actual report as of December 31, 2011, noting no differences.

Mr. Novakovich inquired how the cost allocation should be calculated for Vista Field as it is 92 acres of land with one building. Ms. Richardson believes most of the raw acreage was excluded. Ms. Fine explained the cost methodology used for the airport.

Ms. Richardson stated the most reasonable method of methodology that could be used at the airport is total direct costs as a percentage of the Port's total direct costs. A combination of many types of allocation can be used; however, it is very time consuming. Ms. Richardson believes the best method for the Port is direct cost allocation; it seems to be the most fair and equitable way to allocate all of the indirect costs that are accumulated into a pool.

Mr. Novakovich inquired if Ms. Fine uses employee time sheets to track direct staff time for each property. Ms. Fine explained most staff members keep track of their time spent on each project and/or task, but she is hoping to find some accounting software with a high-quality time tracking software.

Ms. Richardson advises her clients to regularly review revenues and expenses for each property and verify if they are generating a profit, breaking even, or generating a loss. If the property is generating a loss, the company needs to determine if they can absorb the loss, or subsidize it. She stated many non-profit organizations CLA works with have multiple programs and grants and they cannot afford to overspend. Ms. Richardson highly recommends the Port review on a regular basis how each property is performing.

Mr. Arntzen stated when the Port receives the analysis that indicates the amount each jurisdiction is contributing financially to the Port, it allows the Port to meet with each jurisdiction and explain why more is spent in some jurisdictions than others.

The Commission is in consensus that the methodology Ms. Fine has been using has been proven and is consistent and justifiable. The Commission directed Ms. Fine to prepare ROI's on all Port properties. Ms. Fine stated that everything is accounted for except depreciation and capital outlay expenses.

## NEW BUSINESS

### ***A. A-1 Refrigeration 3-Year Lease Agreement; Resolution 2012-36***

Ms. Hancock stated A-1 Refrigeration is owned and operated by Kyle Hagen and is a local-based, small business specializing in refrigeration, heating and ventilation services since 1980. A-1 Refrigeration has four full time employees and plans to add two or more employees. The parameters of the negotiated lease are:



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- Lease 5,865 square feet consisting of two spaces in Development Building No. 4 for office, warehouse and mechanical services;
- A three-year lease, with a (1) three year renewal option, commencing August 1, 2015. The second year renewal rate would be Fair Market Value and not less than previous term rental rate.
- The lessee is responsible for all separately metered utilities; excluding common area lighting, landscape and garbage services.
- Monthly rent for the premises is \$2,228.70, plus leasehold tax effective August 1, 2012.
- Lease contains a relocation provision to occupy another available Port facility during the initial term.

**MOTION:** *Commissioner Wagner moved approval of Resolution 2012-36 approving a new three-year lease with Kyle Hagen, DBA: A-1 Refrigeration & Heating, Inc., and authorizing the Executive Director to execute the contract; Commissioner Barnes seconded. All in favor 3:0. With no further discussion motion carried unanimously.*

## **B. Poppydog Farms, LLC 3-Year Lease Agreement; Resolution 2012-37**

Ms. Hancock stated Poppydog Farm, LLC, is owned and operated by Ken French, and is a local online dried seed distributor specializing in organically grown poppy seeds used for crafting needs. The lessee anticipates revenues to increase from \$1,000,000 in 2012 to \$5,000,000+ in 2013. Lessee has four full-time employees, with plans to add additional employees. Usage of the space is restricted to storage and distribution of packaged seed pods and no manufacturing will occur. The parameters of the negotiated lease are:

- Lease 2,915 square feet consisting of one space in Development Building No. 4 for warehouse and distribution services;
- Three-year lease, with a (1) three year renewal option, commencing August 1, 2015. Second year renewal rate of then Fair Market Value and not less than previous term rental rate.
- Lessee responsible for all separately metered utilities; excluding common area lighting, landscape and garbage services.
- Monthly rent for the premises is \$1,107.70, plus leasehold tax effective August 1, 2012.
- Lease contains a relocation provision to occupy an available larger Port-owned space during the initial term.

**MOTION:** *Commissioner Barnes moved approval of Resolution 2012-37 approving a new three-year lease with Kenneth J. French, DBA: Poppydog Farms, LLC, and authorizing the Executive Director to execute the contract; Commissioner Wagner seconded. All in favor 3:0. With no further discussion motion carried unanimously.*

Mr. Novakovich inquired when the remaining Oak Street Development Buildings will be available for occupancy. Mr. Peterson reported the biddable documents are complete and he expects the project to go out to bid in October 2012. The buildings will be reconfigured to accommodate a variety of square footage from 4,800 square feet to 6,000 square feet.





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## REPORTS COMMENTS AND DISCUSSION ITEMS

### A. *Clover Island*

#### 1. *Confederated Tribes of the Umatilla Indian Reservation letter of support for North Shoreline Improvements*

Ms. Bader Inglima reiterated the Commission gave authorization to apply for a Recreation and Conservation Office (RCO) grant through the Aquatic Land Enhancement Account (ALEA) grant for the North shoreline, for a portion of habitat improvements, as well as a pathway improvement between Cedars and Clover Island Inn. The grant is in its final stages of preparation. Ms. Bader Inglima requested a similar letter of support from the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) that they had prepared for the West Causeway grant. The letter was received from Board of Trustees Chairman Les Minthorn. Ms. Bader Inglima read the following excerpt from the letter:

On behalf of the Confederated Tribes of the Umatilla Indian Reservation, I would like to express our support for the Port of Kennewick's continued improvements of the Clover Island through the North shoreline improvements, which will follow the same standards set in the Clover Island shoreline improvements and Urban Renewal Project on the West Causeway. One of the intended results of this project is restoration of habitat for salmon runs. The juvenile fall Chinook in the Hanford Reach, that we see annually move by this area, will benefit from more natural stream banks with vegetative cover. We feel this project will be a catalyst for job growth and economic diversification, as well as enhancing the quality of life regionally.

Ms. Bader Inglima stated letters of support from our tribal partners are very important and are closely attended to by CTUIR staff and will go a long way in helping the Port with the grant process. Mr. Novakovich commended Ms. Bader Inglima for working very well with the CTUIR. He stated the partnership with the CTUIR has been very beneficial to the Port.

### B. *Columbia Drive*

#### 1. *Integrated Structures, Inc. Update*

Mr. Peterson and City of Kennewick Planner Greg McCormick traveled to Berkeley, California to meet with Integrated Structures to begin working on zoning issues. The City of Kennewick put the Bridge to Bridge planning efforts on hold to enable the Port to work through more details on the area between the Cable Bridge and the Causeway.

Mr. Peterson and Mr. McCormick had the opportunity to see the Fourth Street redevelopment project in Berkeley, a real world redevelopment project. They realized that some industrial activities related to the wine industry can make an area appear vibrant and sustainable. The Fourth Street redevelopment project was developed over 30+ years. Fourth Street has won national redevelopment awards and includes a mismatch of buildings. Mr. Peterson shared the following excerpt from the San Francisco Chronicle:



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Every weekend people from around the Bay Area converge on Fourth Street in Berkeley. Some arrive in search of fashions and cool wares, others a cup of coffee and an excuse to drink the scene in. Perhaps the most distinctive urban district created in the Bay Area in the last 20 years. Unlike indoor malls and outdoor bizzarres, such as Cortez Plaza or Palo Alto's Stanford shopping center, Fourth Street is for real. Wide benches along the sidewalk are open to anyone who wants to sit down. Trains rumble along in plain sight behind the small flower stall. At its best Fourth Street invokes a feel reminiscent of another era's main street. A place with nooks and crannies, where people would run errands and see friends; as well as simply consume. Now that the district's biggest development proposal yet to begin takes shape, it is important to realize the underlying reason for Fourth Street's success, what's unique isn't the shop or restaurant, the district has come together the way cities once took shape; intricately, piece by piece by piece.

"What has always come first is building a healthy environment," says Denny Abrams, developer of Fourth Street, "There's nothing wrong with making money if you can create something good along the way."

Mr. Abrams met with Mr. McCormick and Mr. Peterson for four hours. Mr. Abrams had investigated Columbia Drive in detail. He asked many questions and shared many possibilities and opportunities that could be pursued. Mr. McCormick shared the visit was a very unique opportunity to meet with a gentleman who started with a concept in an area that was dilapidated, and moved forward with the concept to develop it into what it is today.

Mr. Abrams shared many developing ideas, such as using the prime corner for an affordable restaurant instead of the highest bidder. It brings people and activity to the area. Mr. Abrams also suggested moving a historic house to the area for retail space rather than building a new building, as it creates a character and brings interest. Mr. Peterson and Mr. McCormick discovered the right mix of industrial, manufacturing and retail can work together and be interesting to the public.

Mr. Abrams suggested getting activities started in the Willows, and then graduate to more public use. Mr. Abrams feels the worst thing would be to have everything done the same, as it does not create a sense of place. Mr. McCormick thanked the Commission for the opportunity to visit Berkeley.

## **C. Vista Field**

### **1. Scope of Work for Vista Field Study**

Mr. Arntzen introduced Ben Floyd of JUB Engineering. The Commission requested staff to present a scope of work for a study regarding Vista Field at the June 26, 2012 Commission Meeting. Attorney Steve DiJulio, Mr. Floyd, Mr. Arntzen and Mr.





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Peterson drafted the Request for Qualifications (RFQ) for Planning, Environmental and Economic Consulting Services for Future Uses of Vista Field Airport.

Mr. Floyd explained the RFQ seeks consultants with a broad range of experience. The services will include preparing a study and report on the future uses of Vista Field, including: no action, development of Vista Field, and the closure of the airport with long and short term redevelopment guidelines. An environmental review will be provided for each alternative.

The Port of Kennewick will perform the initial review of the proposals received and will identify the three agencies best suited for the project. The Selection Committee will be made up of a member from each jurisdictional partner, as well as a citizen at-large and a pilot representative. The Committee will interview the three consultants and will recommend the firm that meets the required criteria.

Mr. Novakovich has reviewed the RFQ and feels it will provide information that was not available before. This study will be more in-depth and will answer many questions. It will involve the public and jurisdictional partners.

Mr. Arntzen stated the Port has hired Anchor QEA to take the Port through this process. Mr. Floyd will be the independent facilitator who can answer questions, and offer suggestions or advice to the Selection Committee. Mr. Arntzen feels it would be better for the Commission to take a hands-off approach, as they did in the redistricting process.

Mr. Novakovich feels the RFQ is a prime example of openness and transparency, and illustrates the public process that is involved in everything the Port undertakes. Mr. Novakovich is in favor of the RFQ and believes staff has done a tremendous job in putting the RFQ together.

Mr. Barnes feels the Port is at a pivotal point with the airport. In the past, the Port formed a citizen's advisory committee for the airport, had open public meetings where the Port accepted input from the citizens and users and made the decision to keep the airport open. The Port tried to implement the plan and enter into a contract with a FBO operator. He feels it was a genuine, well intentioned effort on behalf of the Port. Unfortunately, that process did not end with a FBO contract in place. He feels a great deal was learned on both sides during the negotiations. The costs associated with the continued operation of the airport in its current state continue and he has learned that the Yakima airport has been cited by the State Auditors for not being a good steward by allowing it to operate in the red. Mr. Barnes feels the Port needs to take a good, hard look at the airport. The Port needs to make a decision that is in the best interest of the constituents, and get the airport to be an asset that is more in line with the stated objectives of the Port...to be an economic driver, to create jobs and enhance the quality of life. He feels the airport alternatives study will put the Port on the path to achieve some of these things. He feels the users and citizens need to be involved in the process; and that actual, factual data needs to be determined and analyzed to make a decision in



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the Port's best interest.

Mr. Novakovich feels this study will bring out the factual information and discover the economic benefit and usage of the airport. Mr. Novakovich stated part of the reason that the Commission voted to keep the airport open was based on the fact that there would be a considerable amount of private investment; and that has not happened. There has been some investment outside the fence but the investment that has been made does not help the operating costs of the airport.

Mr. Arntzen shared a draft letter to the Port's jurisdictional partners, requesting their participation on the Selection Committee. The Commission is in consensus to mail the letters.

Mr. Wagner feels the committee will be vital to the process and would like the project to move forward.

Mr. Arntzen believes this process will draw a larger audience as it has public outreach built into the process. In 2010, the Port attempted to obtain all the public input at one meeting. In addition, the Port did not develop a vision for developing or closing the airport. The new study will investigate all options and will provide a complete scenario for each alternative.

Mr. Arntzen feels the Port Commission is different now; all three Commissioners are unanimously demanding all of the facts. While Mr. Arntzen is not trying to speak negatively about prior staff, commissioners, or processes; he feels now is the best time to get the information to the public. The Port needs to connect with the public to receive their comments. Transparency is costly; however, the cost of the study divided by the number of taxpayers is approximately \$1.75 per person. This study is the Port's presentation to the public, requesting their opinion of how to manage this asset. The Port believes the process should be completed before the April advisory ballot.

Mr. Barnes is not an advocate of an open-checkbook policy and feels \$225,000 is a lot of money; however, he feels this is a pivotal time and does not want to see the Port be overly constrictive on the scope of work, as the airport deserves to have a thorough review. The cost for all alternatives will be presented to public for their decision.

The Commission is in consensus to move forward with RFQ. An advertisement will be placed in the Tri-City Herald for citizens who are interested in serving as the Citizen at-large member. Mr. Novakovich requested Ms. Hancock send an email to the Vista Field pilots notifying them of the application process. The Commission will appoint the members to the Selection Committee at the August 14, 2012 meeting.

***D. Commissioner Meetings (formal and informal meetings with groups or individuals)***

Mr. Wagner attended a presentation by Steve Warner, Executive Director of the Washington Wine Association and a retirement party for Vickie Carlisle at Columbia Basin College.





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Mr. Barnes had nothing to report.

Mr. Novakovich attended his normally assigned meetings, several meetings with the Columbia Basin Veterans Coalition, the Tamastlikt Board Meeting, and the Corps of Engineers Change of Command Ceremony in Walla Walla.

## **E. *Non-Scheduled Items***

1. Mr. Arntzen shared his appreciation for Mr. McCormick's willingness to go to Berkeley and participate in this project. He also shared his appreciation of Marie Mosley allowing Mr. McCormick to attend the trip. He feels for Marie to have the confidence to break tradition speaks volumes of the City Council, giving her that level of authority to make this type of decision. He commented it is unique and unusual to have a city and port planner director travel together to investigate another community.
2. Mr. Arntzen will be traveling to New Jersey to judge international waterfront projects for the Waterfront Center.
3. While Mr. Arntzen is in New Jersey, Mr. Peterson will be the Acting Executive Director.

## **PUBLIC COMMENTS**

Mr. Mike White, 1118 West 22<sup>nd</sup> Avenue, Kennewick. Mr. White inquired when the Request for Qualifications will be available for public review. The document will be posted on the Port's website following today's meeting.

Mr. Gary Hansen, 1615 W. 33<sup>rd</sup>, Kennewick and a Port tenant. Mr. Hansen would like to see the Vista Field Airport issue to go to a public vote, so the public taxpayers can make the decision.

Mr. Ed Frost, 609 Albany Avenue, Kennewick. Mr. Frost inquired when the joint meeting with the City of Kennewick will be held and suggested the Bridge to Bridge River to Rail issue be included in the agenda. Mr. Frost stated the City spent a lot of money on the study and he does not want the study to be forgotten. Mr. Frost believes the initiative and energy for the project will come from the Port of Kennewick. The meeting is tentatively scheduled for August 28, 2012.

No further public comments were made.

Mr. Novakovich anticipates the Executive Session to last approximately 40 minutes for a Potential Litigation, per RCW 42.30.110(1)(i) and Real Estate (minimum price), per RCW 42.30.110(1)(c) matter, with no action anticipated. Mr. Novakovich asked the public to notify Port staff if they will return after the executive session.

Mr. Novakovich recessed the meeting at 3:50 p.m. for approximately 10 minutes.

Mr. Novakovich reconvened the meeting into Executive Session at 4:02 p.m.



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## EXECUTIVE SESSION

- A. Potential Litigation, per RCW 42.30.110(1)(i)*
- B. Real Estate (minimum price), per RCW 42.30.110(1)(c)*

Mr. Novakovich called for an Executive Session at 4:02 p.m. to last approximately 40 minutes, with no action expected.

Executive Session adjourned at 4:41 p.m. with no action taken.

The regular meeting reconvened at 4:41 p.m.

## ADJOURNMENT

With no further business to bring before the Board; the meeting was adjourned at 4:41 p.m.

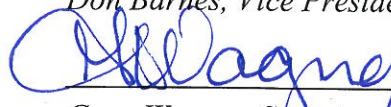
**APPROVED:**

**PORT of KENNEWICK**

**BOARD of COMMISSIONERS**

  
Skip Novakovich, President

  
Don Barnes, Vice President

  
Gene Wagner, Secretary



# ***PORT OF KENNEWICK***

RESOLUTION NO. 2012-36

## ***A RESOLUTION OF THE PORT OF KENNEWICK BOARD OF COMMISSIONERS APPROVING A LEASE AT OAK STREET INDUSTRIAL PARK***

**WHEREAS**, The Port of Kennewick (Port) is authorized to enter into certain leases upon such terms as the Port Commission deems proper; and

**WHEREAS**, a three (3) year lease with one (3) year option has been negotiated between the Port and Kyle Hagen, DBA: A-1 Refrigeration & Heating, Inc.; and

**WHEREAS**, the terms and conditions of said lease agreement have been reviewed by the Port Commission and deemed proper and acceptable; and

**WHEREAS**, after consideration of the attached lease agreement, the Port Commission has determined that the lease is proper.

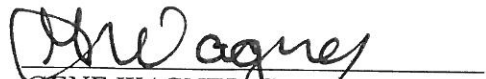
**NOW, THEREFORE, BE IT RESOLVED** that the Port of Kennewick Board of Commissioners agrees to enter into a lease with Kyle Hagen, DBA: A-1 Refrigeration & Heating, Inc. as presented and hereby authorize the Port's Executive Director to execute all documents and agreement on behalf of the Port to complete the transaction as specified above.

**ADOPTED** by the Board of Commissioners of the Port of Kennewick on the 10th day of July, 2012.

***PORT OF KENNEWICK  
BOARD OF COMMISSIONERS***

  
SKIP NOVAKOVICH, President

  
DON BARNES, Vice-President

  
GENE WAGNER, Secretary

# **PORT OF KENNEWICK**

RESOLUTION NO. 2012-37

## **A RESOLUTION OF THE PORT OF KENNEWICK BOARD OF COMMISSIONERS APPROVING A LEASE AT OAK STREET INDUSTRIAL PARK**

**WHEREAS**, The Port of Kennewick (Port) is authorized to enter into certain leases upon such terms as the Port Commission deems proper; and

**WHEREAS**, a three (3) year lease with one (3) year option has been negotiated between the Port and Kenneth J. French, DBA: Poppydog Farms, LLC; and

**WHEREAS**, the terms and conditions of said lease agreement have been reviewed by the Port Commission and deemed proper and acceptable; and

**WHEREAS**, after consideration of the attached lease agreement, the Port Commission has determined that the lease is proper.

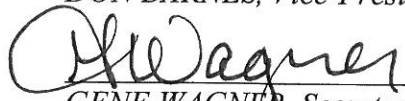
**NOW, THEREFORE, BE IT RESOLVED** that the Port of Kennewick Board of Commissioners agrees to enter into a lease with Kenneth J. French, DBA: Poppydog Farms, LLC as presented and hereby authorize the Port's Executive Director to execute all documents and agreement on behalf of the Port to complete the transaction as specified above.

**ADOPTED** by the Board of Commissioners of the Port of Kennewick on the 10th day of July, 2012.

**PORT OF KENNEWICK  
BOARD OF COMMISSIONERS**

  
SKIP NOVAKOVICH, President

  
DON BARNES, Vice-President

  
GENE WAGNER, Secretary